Supplemental Reporting Document
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June 2008 Investment Committee Meeting
(April 2008 Reporting Period)

Semi-Annual and Quarterly Reports

CalPERS
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June 16, 2008

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Semi-Annual Report - Wilshire

II. PROGRAM: Alternative Investment Management (AIM) Program

III. RECOMMENDATION: Consent

IV. ANALYSIS:

Background

At the August 1997 meeting, the Investment Committee requested that a consultant be retained to provide an independent analysis of the performance of the AIM Program and its consultants. Wilshire Associates was chosen to prepare the semi-annual performance reports. The report has been reviewed by the Performance Monitoring Unit.

Wilshire's report for the period from the Program's inception (1990) through December 31, 2007 is provided in the Wilshire AIM Market Review and Performance Analysis Report (Attachment 1).

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

Attached is the performance report prepared by Wilshire Associates for the AIM Program from its inception (1990) through December 31, 2007.

Dana C. Warmenhoven
Investment Officer I
Performance Monitoring Unit

Mike Butler
Manager
Performance Monitoring Unit

Matt Flynn
Division Chief, Investment Office

Anne Stausboll
Interim Chief Investment Officer

ATTACHMENT 1

Alternative Investment Management (AIM)
Market Review & Performance Analysis
For the period ended December 31, 2007

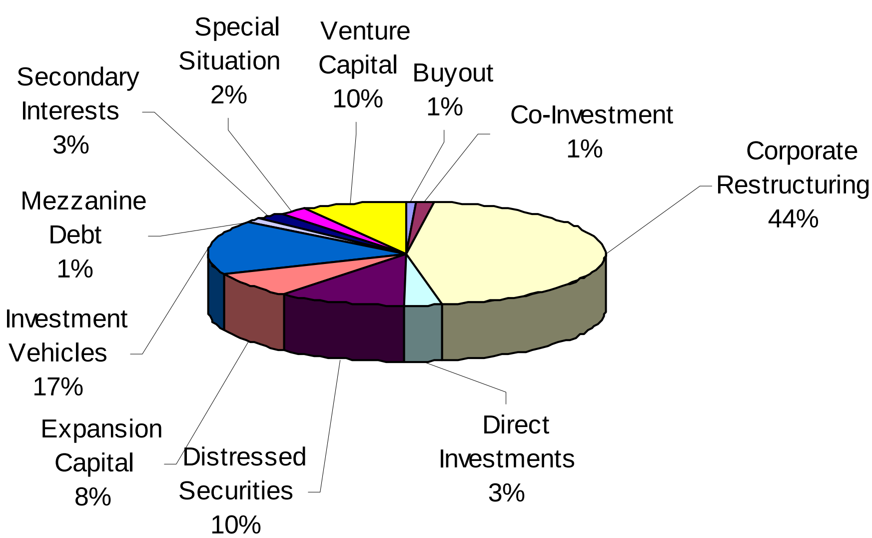
Introduction

The purpose of this report is to discuss the market environment for alternative investments and to compare the performance of CalPERS' AIM Program versus the market. This report is divided into three sections:

1. Performance: The first section lists the December 31, 2007 market values and the performance since inception of the different sectors in the AIM Program.
2. Universe Comparison: The second section compares the performance of AIM's buyout, mezzanine, and venture capital investments to their respective universes on a vintage year basis.
3. Market Environment: The third section will discuss the general market environment for buyouts, venture capital, as well as distressed and mezzanine debt, and the overall European private equity market.

The investment profile of CalPERS' AIM Program ("the Program") is shown in Exhibit I below. The majority of the Program's assets are invested in buyout funds (corporate restructuring), investment vehicles, and venture capital.

Exhibit I
AIM Program Investment Profile
As a Percentage of Active & Exited Commitments[1]



[1] Investment Vehicles include California Emerging Ventures I, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and PCG Corporate Partners Program.

Exhibit II displays the performance of CalPERS' AIM Program.

Exhibit II
AIM Program Summary

Investment Category	Capital Commitment w/Exited ($mil)[2]	Annualized ROR 12/31/2007[3]
Buyout	$425.0	NA
Co-Investments	681.0	1.2
Corporate Restructuring	23,678.6	14.6
Direct Investments	1,636.7	24.4
Distressed Securities	5,444.1	18.8
Expansion Capital	4,042.8	4.9
Investment Vehicles[4]	8,893.8	6.6
Mezzanine Debt	723.5	2.1
Secondary Interests	1362.3	18.2
Special Situations	1,148.1	5.6
Venture Capital	4,517.7	7.4
Total Commitments w/Exited	$52,553.6	14.3

- As of December 31, 2007 the AIM Program had total exposure, the current reported value plus the remaining amount of funded commitments, of $44.5 billion and capital commitment with exited of $52.5 billion.
- As of December 31, 2007 the AIM Program has generated a net internal rate of return ("IRR") of 14.3%. The inception date was March 1990. As of December 31, 2007 the ten-year rolling average return for the CalPERS Custom Wilshire 2500 Index plus 300 was 9.9%. The public markets has had stellar returns over the past few years, and the performance of the AIM program has improved and should continue to go higher as there is typically a lag in the

[2] Includes all active and exited commitments (in $ millions) as of December 31, 2007.
[3] Information are provided by State Street PrivateEdge. The inception date for the AIM program is March 1990, but investment categories may have different inception dates.
[4] Investment vehicles include California Emerging Ventures, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and Corporate Partners Program.

valuations in the private market to those of the public market. In addition, the AIM program is still young and only has an average age of 3.1 years and therefore the majority of the portfolio is still in the early stage of its investment life. To address the young age of the AIM portfolio, CalPERS adopted a short-term benchmark. The benchmark measures performance of partnerships in the first five years of life against Venture Economics' universe data. As of December 31, 2007 the AIM Program's young funds produced an IRR of 14.3%, which ranks above the Custom Venture Economics Young Fund Universe median return of 5.5%[5]. Analysis of alternative private equity benchmarks indicates that the Custom Venture Economics Young Fund Universe is a more representative benchmark for the AIM Program, as it compares the Program's young funds to a similar universe.

- The performance of the Program's younger funds is affected by the "J-curve." The "J-curve" references the typical pattern of investment returns exhibited by private investments. This occurs because managers' investments are carried at cost until there is a tangible basis for changing an investment's valuation. The significant outperformance of the CalPERS' AIM Program in the face of the J-curve phenomenon is a function of well-rewarded deal selection.
- The Program's partnership funds represent the single largest investment category in which the Program is invested. The buyout investments ranked very favorably versus the partnership universe provided by Venture Economics, outperforming the universe median during almost all vintage years. Through December 31, 2007 the partnership funds yielded a return close to 14.6%. The buyout funds are classified in the Corporate Restructuring and the Expansion Capital investment categories in Exhibit II. An annual as-of December detailed universe comparison is provided on Page 4 of this report.
- Venture capital showed a positive IRR of 7.4 as of December 31, 2007. As shown on page 5, the historical median IRR with the exception of 1998 and 2002 has performed well in comparison to the venture capital universe. An annual as-of December detailed universe comparison is provided on Page 5 of this report.

[5] The Venture Economics young fund universe information is preliminary. Venture Economics releases preliminary information to Wilshire and CalPERS when its database is at least 65% populated.

Universe Comparison Information
For the period ended December 31, 2007

This section of the report will focus on the Program's performance versus a universe of its peers, provided by Venture Economics (VE)[6]. Specifically, there are three primary categories of alternative investments in which CalPERS invests. The categories are buyouts, mezzanine and venture capital.

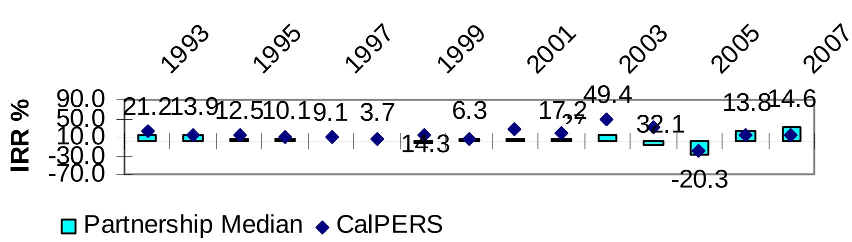
Each investment category is presented in a separate chart below. The universe median is plotted for each vintage year. This represents the return that falls at the 50th percentile of the specific asset category universe. CalPERS' performance, for funds in the asset category, is also plotted by vintage year (e.g., all buyout funds that were initiated in 1996 are aggregated into a composite internal rate of return for that vintage year). These universe charts will not show a ranking for CalPERS for those vintage years during which CalPERS had no investments. The vintage year format of performance reporting is consistent with the requirements of the CFA Institute.

The public equity markets were up during for the entire year of 2007 but the markets depreciated in the second half of 2007 because of investment bank sub-prime write-downs and decreasing housing valuations. As the threat of a recession hung over the market, traders started shifting funds into fixed income securities. While venture capital and buyout fundraising set continued record levels in 2007, some have wondered if the private equity party has come to an end as financing dried up during late 2007. David Rubenstein, the managing director of the Carlyle Group echoed this message in a speech where he indicated the market would remain semi-depressed until 2011 and that using leverage for a deal would probably not be available as "banks, stung by being unable to syndicate and sell loans from 2007 leveraged buyouts, were still dealing with losses from those transactions." [7]When evaluating the performance of the young funds (1999-2006) below the historical returns may not be indicative of the investments' future potential as the J-Curve may have affected performance.

Exhibit III displays the VE Partnership Universe versus CalPERS' performance in this asset category. CalPERS' Partnership funds outperformed the universe median across all vintage years. The numbers in the charts represent CalPERS' IRRs.

Exhibit III[8]

CalPERS Performance vs Buyout Median Return



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[6] CalPERS has contracted with Venture Economics (VE), a database vendor, to obtain peer group comparison information. VE, in turn, provides this information to Wilshire. VE's buyout and venture capital databases are quite large and should provide a meaningful basis for comparison. The mezzanine database has much fewer data points and, therefore, is a less meaningful reference point.

[7] TheStreet.com, "How to Play the End of the Private-Equity Boom" by Tim Melvin.

[8] Source: Venture Economics. This universe contains 10-60 funds per vintage year.

Exhibit IV below shows the CalPERS mezzanine performance compared to the VE Mezzanine Universe. Mezzanine has been a relatively small area of investment in the Program. The Program's funds have generated mixed performance when compared to the universe median. The segment has outperformed in 1992, 1994, 1998, and 1999, while trailing in 1996, 1997, and 2001. There were insufficient funds in the Venture Ecomonics database to issue a median return for 2003-2007.

Exhibit IV[9]

CalPERS Performance vs Mezzanine Median Return

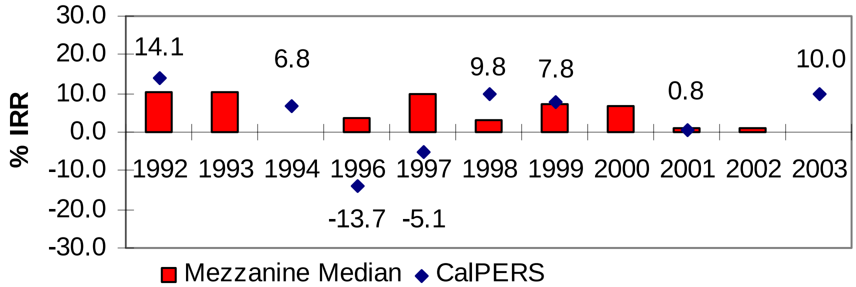
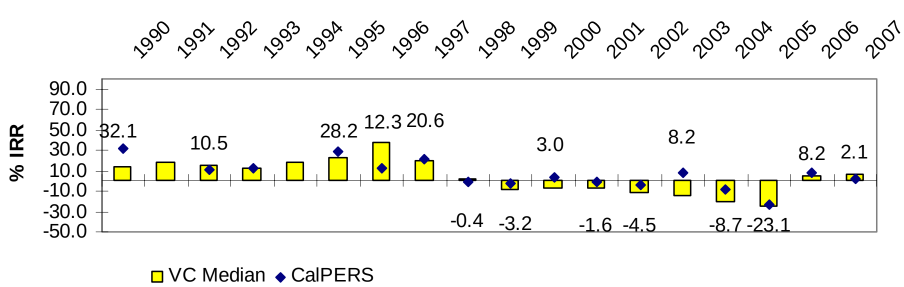


Exhibit V displays the VE Venture Capital Universe. The Program's performance in this segment has been mixed. CalPERS' venture capital funds have outperformed the universe median during most vintage years, with insufficient data for 1991 and 1994. Please note that these investments are still fairly young and their relative performance may not be indicative of future potential.

Exhibit V[10]

CalPERS Performance vs Venture Capital Median Return



[9] Source: Venture Economics. The mezzanine median for 1994 and 2003 are not shown due to an insufficient universe size. CalPERS does not have mezzanine investments for 1993, 1995, 2000, and 2002.

[10] Source: Venture Economics. This universe contains an average of approximately 50 funds per vintage year/ CalPERS did not have performance date for 1991 and 1994.

Market Environment

Public Markets & Alternative Investment

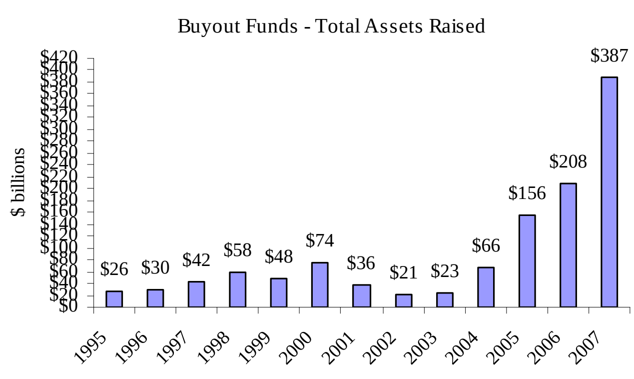
U.S. equity markets produced decent returns during 2007, as evidenced by the Dow Jones Wilshire 5000 Index and the S&P 500 Index returns of 5.6% and 5.5%, respectively, as large cap stocks outperformed versus small cap stocks. However, the market deprecation in December would continue into 2008. The non-U.S. equity markets also had significant gains as investors continued to invest overseas as the US Dollar continues to depreciate against most major currencies. The fixed income market was helped by the Federal Reserve as it stopped raising the Federal Funds Rate and started decreasing rates during the second half of 2007. Bond returns outperformed equities as the Lehman Aggregate was up 7.0% for the year. High Yield Bonds lagged investment grade bonds as there was a flight to quality and the Citigroup High Yield Index only returned 1.9%. Treasuries were the best performing sector in the fixed income market as it returned 9.0% for the year.

Alternative Investment activity in the US increased by 10.8% in 2007 and most of the funds were directed to the clean technology sector. Within this sector investors gave funds to companies that work on cleaner fuel such as Altra Biofuels, which deals with ethanol, and Lilliputain Systems, makers of smaller fuel cells for mobile devices[11]. While US Venture Capital investments were up in 2007, European investments were down 6.6% for the year, as reported by Library House in an EETimes Europe article.[12] Some of the larger deals that happened in 2007 were KKR's private equity bid to take processing firm First Data at a proposed $43.7 Billion; Cerberus Capital Management acquiring Chrysler from DaimlerChrysler; and Apollo Management and Texas Pacific Group purchasing Harrah's Entertainment for $17.1 Billion. Potentially one of the most important features of the year is the rise in the value of large-cap private equity transactions. Private equity funds continue to have strong fundraising efforts. One interesting note is private equity firms issuing IPO's in their own company. This includes Blackstone's IPO in June, Fortress IPO, and Kohlberg Kravis Roberts filing for an IPO.

Buyout Funds

Buyout funds finished 2006 with an impressive total of $387 billion raised. (Exhibit VI).

Exhibit VI[13]



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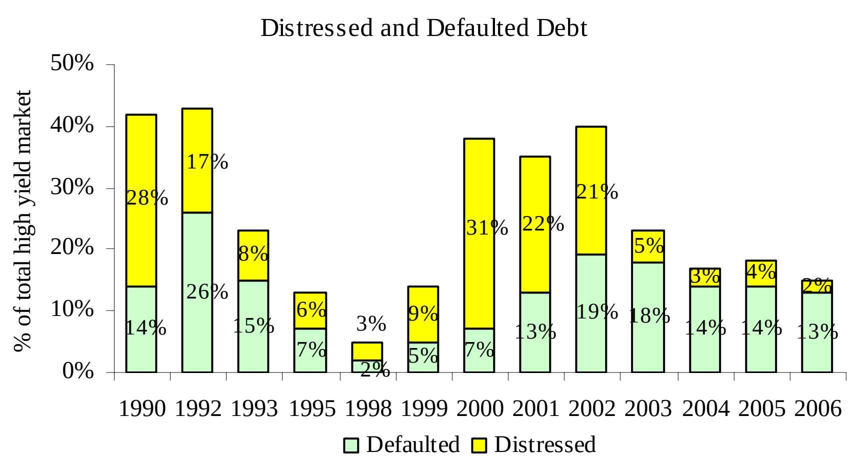
[11] Source: Marketwire, "2007 VC Hits Six-Year High at $29.4 billion."
[12] Source: EETimesEurope.Com, "European VC Investments fall in 2007."
[13] Source: Venture Economics.

Investment activity within buyout funds has continued to flourish as 2007 was a record year. Within to specific industry activity, the Telecommunications Sector set itself apart in that accounted for four of the top ten announced buyouts in 2007. In addition, the exit market appears to be healthy. One reason for this is the bargain shopping that followed the internet dot-com bubble. Additionally, the secondary buyout market remains healthy with quite a few SBO's occurring.

Distressed and Mezzanine Debt

The high yield market produced positive results in 2005 and 2006. Debt benefited from improved corporate profits in all areas of the market, and from investors buying high-yield bonds for higher yields. Exhibit VII below shows the percentage of distressed and defaulted debt within the overall high yield market through 2006 as measured by the Altman Index. From 1993 to 1999, defaults in the high yield market had been rather benign, but corporate scandals and bankruptcies pushed those numbers up quickly in 2000-2002. The last time the high yield bond market traded in a similar pattern was during the 1990-1992 period. In 1990, roughly 28% of the high yield market traded at distressed levels[14], and 14% of the market consisted of defaulted bonds. Since 2003, the levels of defaulted and distressed debt have decreased. At the end of 2004, the levels stood at 3% and 14%, respectively, dramatically lower than the figures reported for 2000-2002. The default rate from 2004 to the 1st quarter of 2006 remained stable. However, in 2006 the full-year default rate fell below last year's since the largest defaults of the last twelve months- Calpine, Delta, Delphi, and Northwest all occurred in 2005. In 2007, it will most likely increase because of market volatility and funding issues because of the sub-prime worries.[15]

Exhibit VII[16]

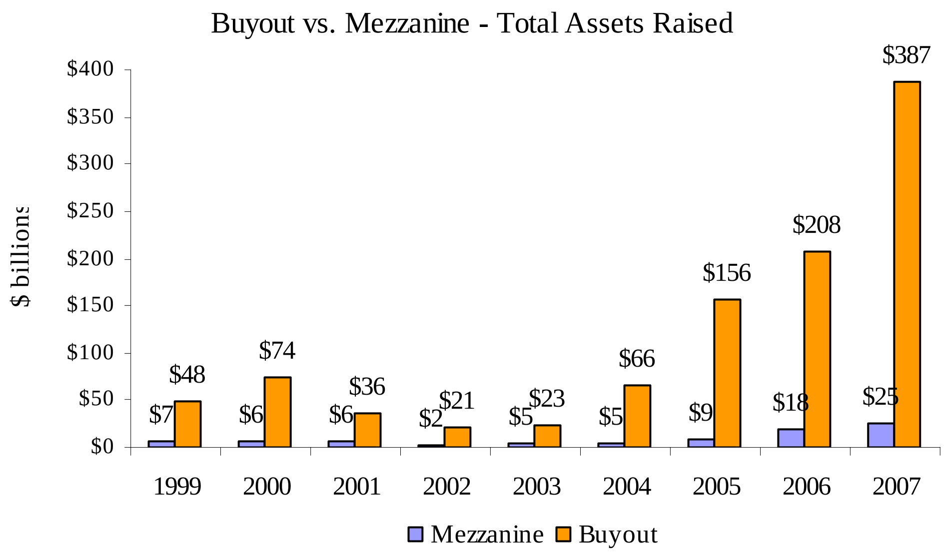


Mezzanine fundraising has historically been approximately 10% of the capital raised by buyout funds (Exhibit VIII), but in 2005 and 2006 the section continued to attract less money than buyout funds and fundraising dipped to around 5% of buyouts. Part of the reason mezzanine debt has become a less popular borrowing vehicle is that mezzanine debt is a subordinated position and the

[14] Exhibiting a yield spread of greater than 10% versus comparable maturity Treasury bonds.
[15] Source: Seix Investment Co.
[16] Source: NYU Salomon Center and Citigroup.

equity warrants attached make these securities an expensive form of debt. During most of the 1990s, the high availability of high yield bond financing significantly reduced the importance of the mezzanine market. However, mezzanine debt has become more popular since the late 1990s for two reasons. First, many commercial banks tightened their lending standards given the extraordinarily high level of corporate defaults after the burst of the technology bubble, followed by accounting scandals that rocked the financial markets. Second, the high yield market has become more difficult to access, as the minimum threshold for new high yield offering has increased to above $150 million from $100 million. Many small to medium-sized companies resorted to mezzanine debt to finance acquisitions, capital expenditures, or recapitalizations, but the era appears to be changing. These companies cannot utilize the high yield market to raise money due to the aforementioned issuance threshold. However, this means that mezzanine financing is usually confined to the middle-market. Mezzanine deals in the U.S. seldom exceed $50 million.

Exhibit VIII[17]



Venture Capital

Venture capital fundraising efforts continue on a blistering pace as 2007 may eclipse the records set in 2006. Year to date 2007 venture capital firms raised approximately $80 billion level (Exhibit IX).

[17] Source: Venture Economics.

Exhibit IX[18]

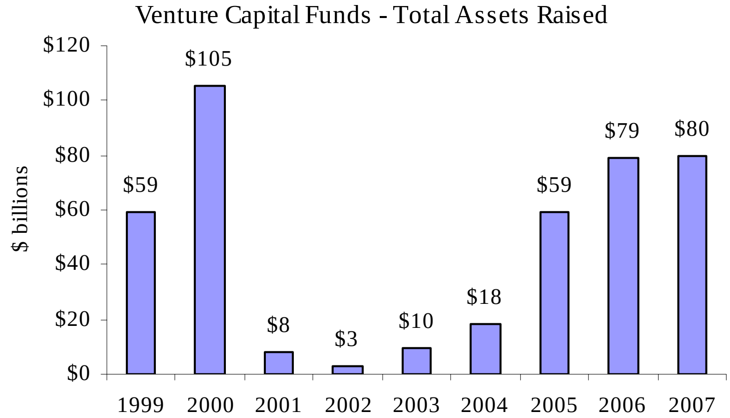
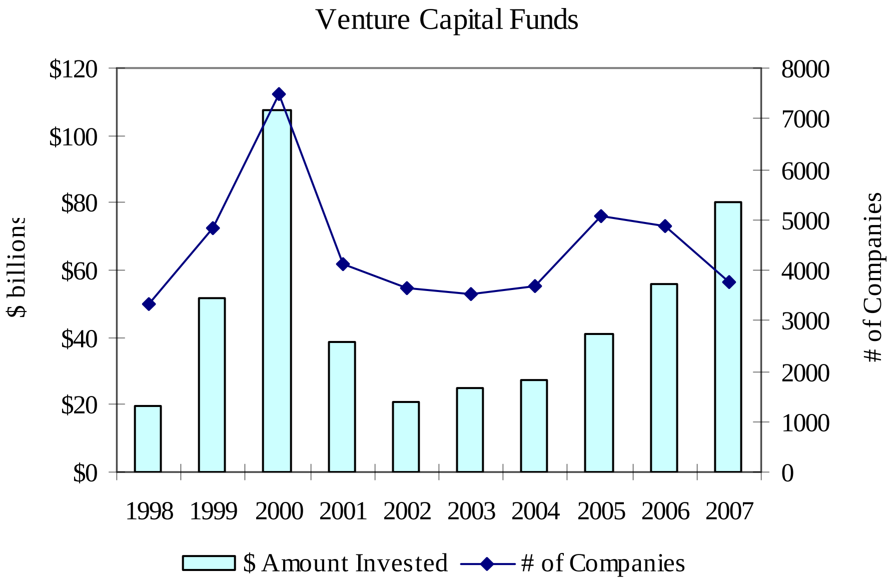


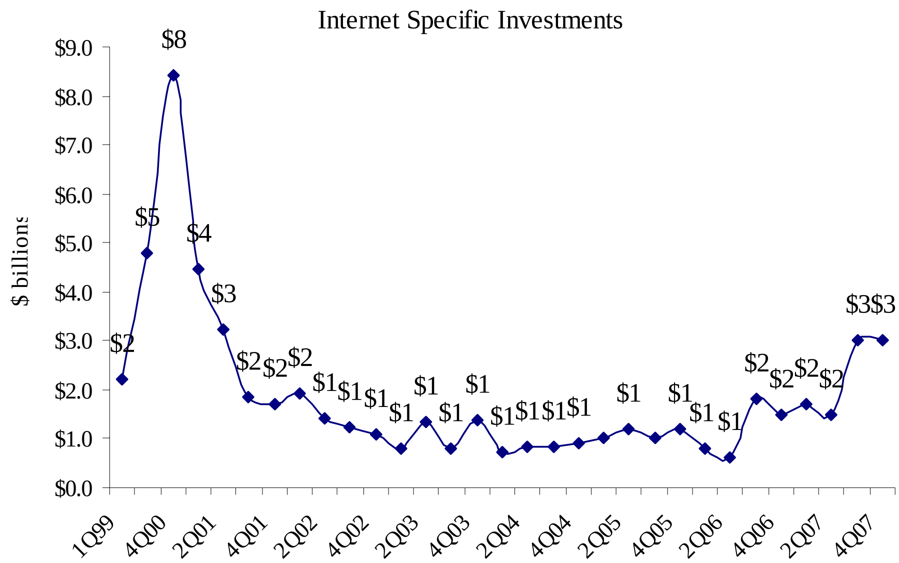
Exhibit X[19]



The pace of investing within the venture capital markets in 2007 continued to be strong and the number of companies is on the up tick (Exhibit X). The investment environment is much improved when compared to the early 2000s, when liquidity in the public markets was weak and the economy was mired in a minor recession. Internet-specific investments have decreased dramatically since 2000, but the decline has stabilized over the past few years (Exhibit XI).

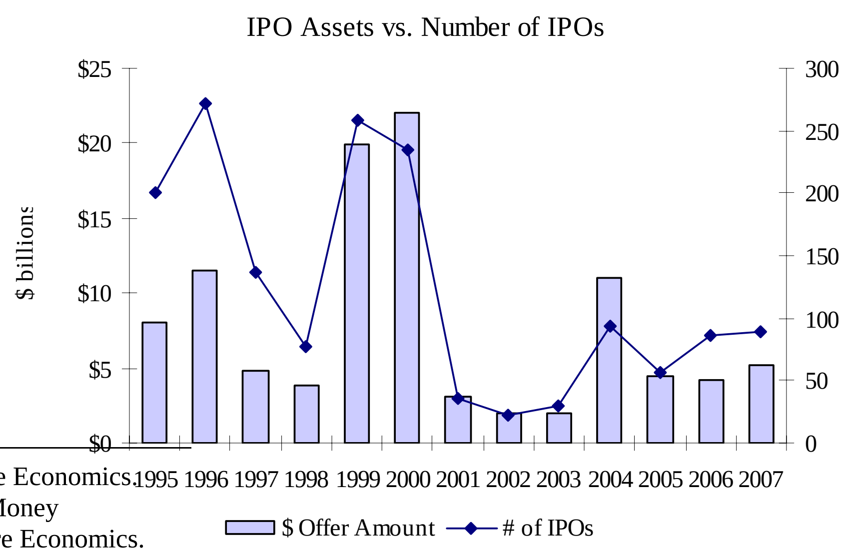
[18] Source: Venture Economics.
[19] Source: Venture Economics.

Exhibit XI[20]



While the Initial Public Offering ("IPO") market is no where near the internet craze of the 2000's, activity reached a three-year high in May when 11 companies raised over $1.0 billion on U.S. Exchanges.[21] The IPO's included companies in healthcare, information technology, and telecommunications. If the IPO pace continues, 2008 could be a very good year for IPO's. A few of the notable IPO's during 2007 include AECOM Technology, a global management and technical support consulting firm; Salary.com; and MetroPCS Communications.

Exhibit XII[22]



[20] Source: Venture Economics.
[21] Source: CNN Money
[22] Source: Venture Economics.

European Investing

European markets fund raising in private equity funds cooled slightly, with a total of $7 billion raised with the majority of the funds going into the U.K. (Exhibit XIII). The U.K. led all countries in terms of investments, with France in second during the first half of 2007 (Exhibit XIV). The U.K. was the first non-U.S. private equity market to emerge and has matured substantially since. In addition, the strength of the Euro has provided European private equity investors increased confidence and has given investors the opportunity to focus on their businesses rather than on currency risk. Europe continues to be regarded as an ideal place for investing and is anticipated to garner increased activity, particularly within the buyout sector.

Exhibit XIII[23]

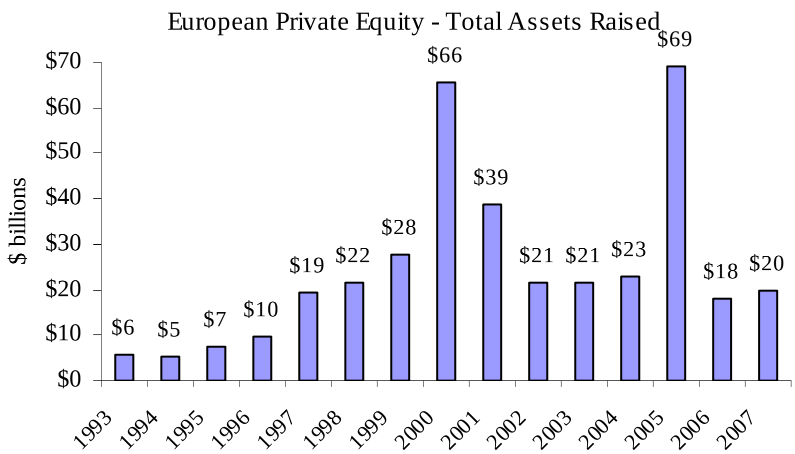


Exhibit XIV[24]
ThroughDecember 31, 2007

[23] Source: Venture Economics.
[24] Source: Venture Economics.

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June 16, 2008

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Securities Lending Earnings (Quarter Ended March 31, 2008)

II. PROGRAM: Securities Lending

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

Earnings for the quarter ended March 31, 2008, are presented to the Investment Committee for information.

	Average Lendable Assets ($000)	Average % on Loan	Earnings (Annualized)	Income to CalPERS ($000)	
Asset Class Earnings					
Global Equities	$92,959,506	26.28%	15 bp	$34,422	
Global Fixed Income	$32,024,572	46.24%	14 bp	$11,556	
Total Program Earnings	$124,984,077			$45,978	
Unrealized loss on internal collateral reinvestment				($431,039)	*
Total Program Earnings including unrealized loss				($385,061)	

*Unrealized losses resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

Policy Violations:

Boston Global Advisors did not violate the policy during the first quarter of the calendar year.

eSecLending violated the policy during the first quarter of the calendar year when two Auto ABS holdings in their portfolio were downgraded from Aaa to A3. The two securities in question were rated Aaa by Moody's upon purchase, however after the downgrade it violated our policy requirement of a minimum Asset Backed Security rating of Aaa/AAA/AAA. Both violations are still held in the external reinvestment portfolios. Staff is currently working with eSecLending to maximize value on these holdings..

State Street Bank did not violate the policy during the third quarter of the calendar year.

The program also carried over violations from the prior quarter. The first, a violation of the overnight liquidity requirement of ten percent, occurred in the fourth quarter of last year. While balances have come back in the first quarter to approximately 8%, they have not stabilized above ten percent.

The additional carryover violations are due to Corporate Note rating downgrades in the external cash reinvestment portfolios. Two Corporate Note positions were downgraded in the previous twelve months and are still held in the external reinvestment portfolio. Staff is working with the manager to maximize value on these holdings.

V. STRATEGIC PLAN:

This program contributes to the achievement of Goal VIII of the Strategic Plan by providing low risk incremental returns to the Fund.

VI. RESULTS/COSTS:

The securities lending program generated $46 million of revenue for the quarter ended March 31, 2008, which is offset by an unrealized loss of $431 million. Total program earnings including the unrealized loss were $ (385) million. The average market value of securities on loan for the quarter was $38.5 billion.

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June 16, 2008

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Quarterly Statistics

II. PROGRAM: Supplemental Income Plans Division

III. RECOMMENDATION: Information only

IV. ANALYSIS:

CalPERS 457 Plan - During the 1st quarter ending March 31, 2008, the CalPERS 457 Plan experienced a $27.0 million or 3.7% net decrease in assets for a total of $696.1 million. During the same quarter, participant enrollment increased from 26,260 to 26,771 for a net increase of 511 participants; and, an increase of 13 new agency adoptions for a total of 640 contracting agencies.

State Peace Officers' and Firefighters' Defined Contribution Plan (POFF) - For the first quarter ending March 31, 2008 the POFF Plan assets decreased 3.6% from $353 million to $340 million. The number of participants increased by 617 for a total of 39,851.

Supplemental Contributions Plan (SCP) - The SCP assets decreased 7.6% from $23.1 million to $21.4 million during first quarter ending March 31, 2008. The number of participants decreased by 0.7% from 742 to 737.

V. STRATEGIC PLAN:

This item supports Goal V, by providing sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

VI. RESULTS/COSTS:

Attachment 1-3 summarizes the activities for the Supplemental Income Plans from June 30, 2007 through March 31, 2008.

____
Geraldine Jimenez, CFA
Division Chief
Supplemental Income Plans

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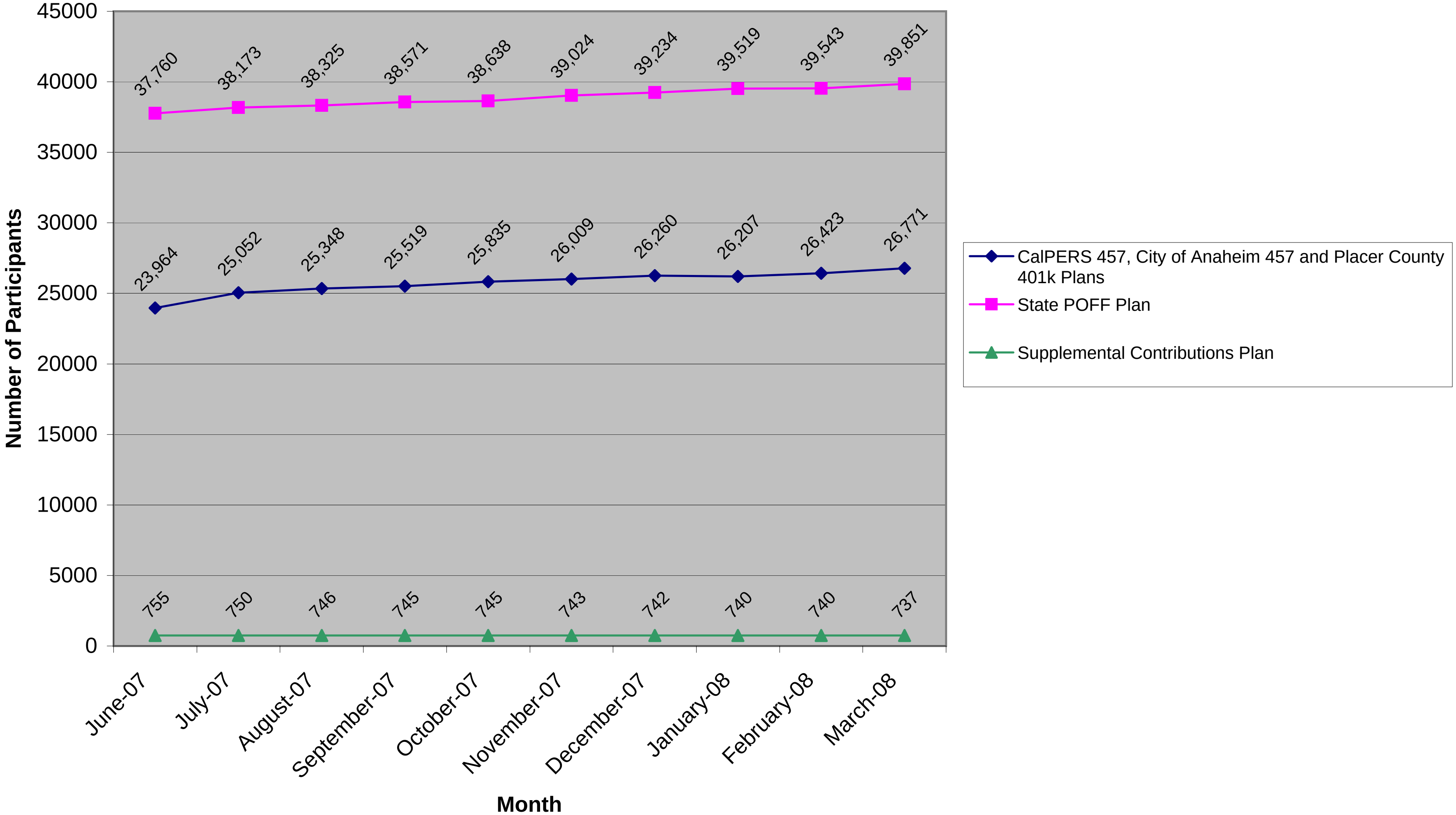
Anne Stausboll
Interim Chief Investment Officer

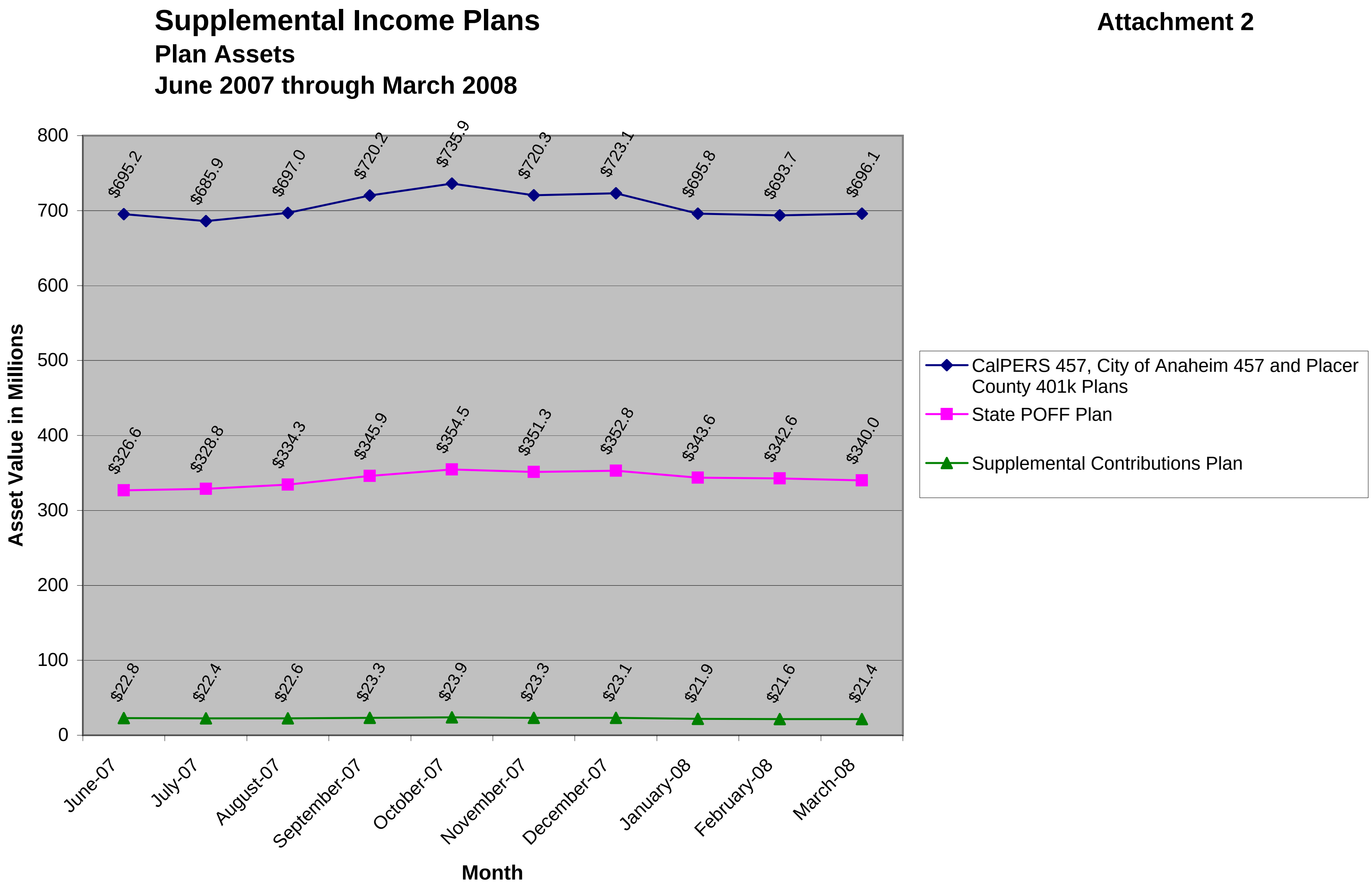
Attachment 1

Supplemental Income Plans

Number of Participants
June 2007 through March 2008



Attachment 2



Attachment 3